

Message Text

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C O N F I D E N T I A L STATE 195936

E.O. 11652: GDS

TAGS: ECON, MX

SUBJECT: ECONOMIC ALERT ANALYSIS

FOLLOWING IS OUR TENTATIVE OUTLINE FOR A REPORT WE HOPE
TO COMPLETE BY EARLY OCTOBER ON THE MEXICAN ECONOMIC
SITUATION. SEPARATE TELEGRAM DESCRIBES CONTEXT OF THE
ANALYSIS. WE WOULD APPRECIATE ANY COMMENTS YOU MAY HAVE
ON THE OUTLINE AS WELL AS YOUR INPUTS.

BEGIN TEXT.

I. DESCRIPTION OF THE CURRENT SITUATION AND CHANGES IN
MAJOR INDICATORS OVER THE LAST YEAR.

II. THE DEVELOPMENT DILEMMAS AND ACTUAL AND POTENTIAL
POLITICAL AND ECONOMIC PRESSURE POINTS THAT AFFECT
MEXICAN DECISION-MAKING.

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A. THE SHORT-RUN NEED FOR AUSTERITY VERSUS THE LONGER-
RUN DEVELOPMENT NEEDS.

B. THE PRIVATE VERSUS PUBLIC SECTOR ISSUES BOTH IN THE
SHORT AND LONGER RUN.

1. WHO ABSORBS THE SHORT-TERM AUSTERITY?

2. HOW CAN OR SHOULD THE MEXICAN GOVERNMENT ENCOURAGE
THE PRIVATE SECTOR NOW AND OVER THE LONGER RUN?

C. EMPLOYMENT AND POPULATION PROJECTIONS AND THEIR
IMPLICATIONS.

D. AGRICULTURE AND RURAL DEVELOPMENT OUTLOOK AND
IMPLICATIONS.

E. HYDROCARBONS DEVELOPMENT OUTLOOK AND IMPLICATIONS.

III. WHAT POLICIES ARE CURRENTLY BEING FOLLOWED BY THE
MEXICAN GOVERNMENT AND WHAT IS THE RELATION OF THESE
POLICIES TO THE IMF EXTENDED FUND ARRANGEMENT?

A. FISCAL POLICIES: IS THE GOM FOLLOWING A COHERENT
FISCAL POLICY BASED ON THE IMF TARGETS?

B. MONETARY POLICIES: IS A COHERENT POLICY PLAN
EMERGING FROM RECENT DECISIONS?

C. INVESTMENT POLICIES: DO RECENT DECISIONS REVEAL
ANY CHANGING TRENDS OR HAVE ANY DIRECT IMPACT ON
MEETING THE IMF TARGETS?
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IV. WHAT POLICY OPTIONS ARE AVAILABLE TO THE GOM WITH OR
WITHOUT VIOLATING THE TERMS OF THE IMF AGREEMENT AND
WHAT WOULD BE THE CONSEQUENCES OF SUCH POLICIES?

A. FISCAL POLICIES.

B. MONETARY POLICIES.

C. WAGE AND EMPLOYMENT POLICIES.

D. INVESTMENT POLICIES.

V. ALTERNATE SCENARIOS FOR THE MEDIUM TERM, AND POSSIBLE
U.S. POLICY OPTIONS.

A. ALTERNATIVE SCENARIOS, INCLUDING DISCUSSION OF
CONSTRAINTS THAT AFFECT THE LIKELIHOOD OF THE
ALTERNATIVES.

B. IMPLICATIONS FOR THE U.S. OF THE VARIOUS ALTERNATIVE
SCENARIOS.

C. POSSIBLE U.S. POLICY OPTIONS IN COPING WITH THE
IMPLICATIONS.

END TEXT. VANCE

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